



Hog Prices: ↑ Soymeal: ↑
Corn: ↓ CDN Dollar: ↓

Hog Margin Outlook

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Wednesday, July 15, 2015

Forward contract prices opened higher this morning. US cash markets moved slightly lower in yesterday's trade, with abundant hog supplies easily meeting the industry's production schedule. Hog numbers have been running approximately 8% higher than 2013 levels for the last month, exceeding the USDA projections. The June Hogs and Pigs report accurately estimated supplies in the heaviest market hog category (+180lbs), but had anticipated a drop-off in the next heaviest category which is currently coming to market. The survey pegged market hogs on June 1st that weighed 120lbs-179lbs at 3% higher than 2013 levels, far different than the 8.5% increase that we are currently slaughtering. The lack of a significant decline in our weekly hog slaughter has resulted in added volatility in the fall month Lean Hog futures resulting in a trading range of more than \$6.00/cwt so far this week. A sharp decline in the Canadian Dollar, responding to this morning's announcement by the Bank of Canada to lower the overnight rate to 0.50% from 0.75%, as well as responding to the deal struck with Iran over its nuclear program and trade sanctions, has also improved Canadian forward prices. Producers should view the recent rally in Lean Hog futures and the sharply lower Canadian Dollar as good opportunity to hedge as much as 50% of their fall market price risk.

Canadian delivered soymeal prices opened mixed to higher this morning. Varying crop conditions across the US Midwest continues add volatility to the soybean complex. While some areas in the east continue to see crop conditions deteriorate due to excessive moisture, the states of Iowa and Minnesota have their crops rated among the best in the last 10 years for this timeframe, 78% which are rated good to excellent. After the 15% rally in new crop soybean prices over the last month, the market is showing some signs that the rally may have overshot its fair market value.

US corn futures opened lower this morning. In contrast to Soybeans, corn is showing little weakness, with the market largely focused on the poor crop development in the Eastern Corn Belt. Futures have surged more than 25% over the last month on these production concerns, but uncertainty in currency and energy markets relating to Greece's economic situation and a new deal with Iran are bearish influences in the Corn market today.

US Slaughter	
418,000	Tuesday
379,000	Tuesday (year ago)
W. Corn Belt	\$77.74
National Price	\$79.99
Daily Sig 3	\$181.66
Daily Sig 4	\$181.01
Thunder Creek	\$181.32
4-Month Fwd.	\$ 144.51
B of C Ex. Rate (Noon)	
\$1.2748 CAD/ \$0.7844 USD	
Cash Prices Week Ending July 11, 2015	
Signature 3	180.50/81.87
Signature 4	175.30/79.52
h@ms Cash	179.00/81.19
Hylife	174.36/79.09
Thunder Creek	171.10/77.61
ISO Weans	\$22.58 US Avg.
Feeder Pigs	\$41.87 US Avg.
#1 Export Sows (Tagged) \$33.00 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		159.65 169.42	147.23 153.74	135.91 147.86	127.03 132.95	132.36 136.50	132.36 143.25	146.80 149.76	147.21 151.94	154.27 160.12
Maple Leaf Sig. #4		164.80 171.40	150.13 161.13	141.69 151.78	132.75 138.71	137.11 140.77	137.80 144.68	148.35 151.56	151.15 153.90	156.19 160.95
Soymeal Winnipeg Delivered	542	542	533	524	526	526	524			
Corn	Local delivered price available on request									

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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